

1988 Annual Report

CHIPMAN



MINING AND ENERGY CORPORATION LTD.

CORPORATE PROFILE

Chipman Mining and Energy Corporation Ltd.

is a dynamic and diversified Canadian owned and operated company, incorporated in Quebec in 1970. Since 1979, the Company has been under the guidance of current management and is actively involved in the exploration of both petroleum and minerals throughout Western Canada.

During the past year a well was drilled at the Evesham III lease which is presently awaiting further studies. The Company's crude oil production comes from three different leases located in Saskatchewan. Two of these are in the Evesham area while the other lease is located in the Maidstone area. Other petroleum and natural gas leases held by the Company are mainly scattered throughout West-central Saskatchewan and East-central Alberta. Properties located in Saskatchewan include the Steelman, Epping, Cactus Lake, and Maidstone leases. The Wildmere lease is located in Alberta.

The Company holds a Working Interest in the Mammoth Claims Group and is in the process of acquiring a working interest in the Cottonbelt Group of mining leases located in British Columbia. The Mammoth Group of claims has been evaluated as to the possibility of further development. The initial results have been highly promising, however, further studies have yet to be conducted in order to formulate a definitive conclusion.

Chipman Mining and Energy Corporation Ltd. is committed to rapid growth with low-risk revenue producing petroleum and mineral prospects in Western Canada. The organization is listed in Calgary on the Alberta Stock Exchange under the trading symbol of CML.

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CORPORATE HEAD OFFICE

Suite 800, First Street Plaza,
138 - 4 Avenue SE
Calgary, Alberta CANADA T2G 4Z6

DEAR SHAREHOLDERS:

On behalf of the Board of Directors, we are pleased to present the Annual Report for the fiscal year ending October 31st, 1988.

In our Mining Division, we are now ready to continue the exploration and economic appraisal of the Mammoth Mining Claims Group on Mount Goldsmith in British Columbia. All costs of investigative work done will be wholly paid for by a working interest partner, Winetou International Minerals Incorporated.

The Company is presently finalizing a major transaction to acquire a 60% working interest in the Cottonbelt Claims. These claims are located in the Kamloops Mining Division in British Columbia. Potential commercial quantities of silver, lead and zinc, in addition to accumulations of rare earth elements make this property a very valuable asset. These elements are important in the development of superconductors and therefore have a ready market.

Over the past year the price of oil has dropped dramatically. The reverberations caused by this drop in world oil price were felt throughout the petroleum industry. Chipman Mining and Energy Corporation Ltd., like virtually every other petroleum company, has not escaped the effects of the unstable oil cartel. However, your Company has throughout this period maintained a cautious yet conscientious effort to sustain its financial growth.

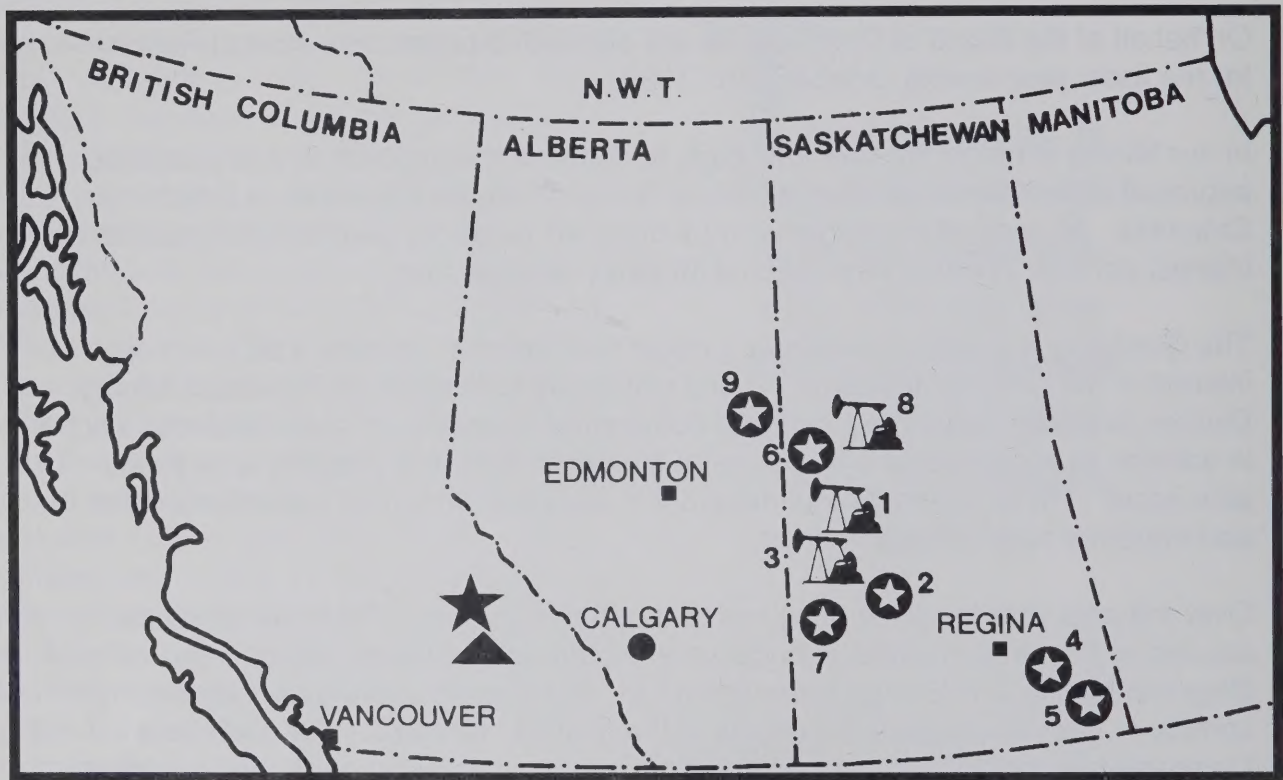
A farmout agreement with New Campbell Island Mines Limited led to the drilling of a well in Saskatchewan, over the past summer. In accordance with the agreement, Chipman Mining and Energy Corporation Ltd. retained a 25% working interest in the well. Drilling and completion costs were borne entirely by New Campbell Island Mines Limited for a 75% working interest. This well is under completion and further studies on it are currently under way.

We would like to conclude by offering our sincere thanks to the support given to us by our shareholders and the untiring effort and complete dedication of the officers and staff.

On behalf of the Board

C. M. Tirkanits
President

LAND HOLDINGS



LEGEND



Cottonbelt Claims



Mammoth Claim Group
(Mount Goldsmith) Ag, Au, Zn & Pb



Petroleum Producing
Property



Petroleum Producing
Prospect



Calgary - Head Office

SCALE

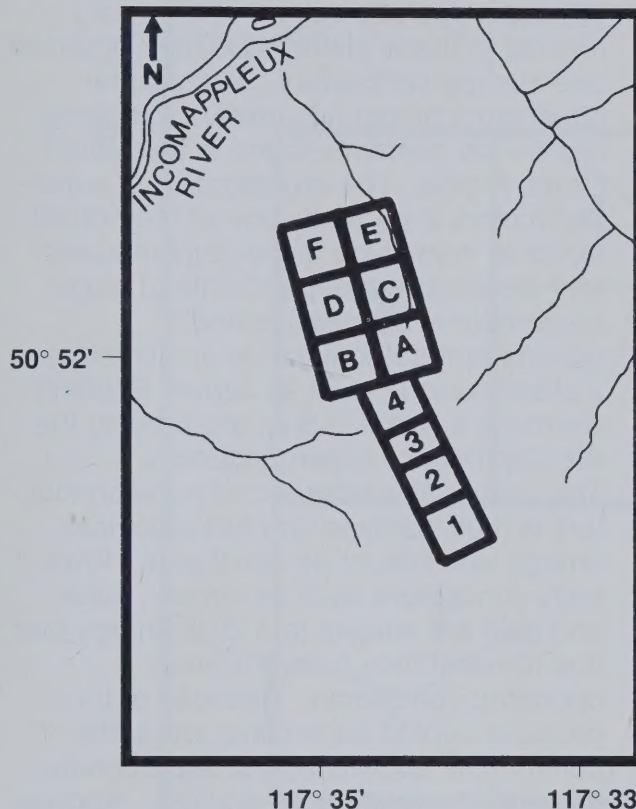
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OIL & GAS PROPERTIES

- | | |
|---|-------------|
| 1 | Evesham I |
| 2 | Evesham II |
| 3 | Evesham III |
| 4 | Steelman I |
| 5 | Steelman II |
| 6 | Epping |
| 7 | Cactus Lake |
| 8 | Maidstone |
| 9 | Wildmere |

THE MAMMOTH CLAIMS GROUP



The Mammoth Claims Group is located on the northwestern flank of Mount Goldsmith in the Lardeau Map area. It falls within the Revelstoke Mining Division of the Kootenay Land District of British Columbia. Summer 90 Resources Limited is the operator of these claims while Chipman Mining and Energy Corporation Ltd. owns an 8% Working Interest. The Mammoth Claims Group is divided into six Post Claims and four Crown Grants (as listed below).

POST CLAIMS

A - Girsha I
B - Girsha II
C - Ralph I
D - Ralph II
E - Ralph III
F - Ralph IV

CROWN GRANTS

1 - Sirdar
2 - Crescent
3 - Empire Fraction
4 - Mammoth

By 1892, there were 71 recorded mineral locations in the area. The least assay of ore recovered from these claims was 1,370 g/ton of silver. The greatest silver assay value obtained was 6,860 g/ton. The 1890's saw development of the area, several mining camps were set up and a smelter was constructed in Revelstoke. The region experienced a gold rush in the late 1890's following the discovery of gold. Claims were abandoned in the early 1940's coinciding with the advent of the Second World War. An independent consultant reported in 1987 that production prior to the war totaled as follows:

Gold	6,941 ozs.
Silver	2,205,383 ozs.
Copper	5,439 lbs.
Lead	9,056,174 lbs.
Zinc	435,033 lbs.

The same consultant reported that the area may represent one of the "overlooked" mining districts in British Columbia and could realistically lead to a resurgence of mining activity in the very near future. An independent estimate placed the amount of probable ore in the main adit at approximately 240,000 tons with between 5 to 10 million ounces of silver. Therefore, based upon the property's historic record and the positive economic showings of minerals, the Mammoth Claims Group will receive even greater attention in the forthcoming year.

THE COTTONBELT

The Cottonbelt Claims consist of four contiguous mineral claims that are located in the Kamloops Mining District, B.C., on the southern and western slopes of Mount Grace. These Claims are situated approximately 110 kilometers to the north-west of the Mammoth Claims. Chipman Mining and Energy Corporation Ltd. is currently negotiating an Option Agreement for a 60% working interest in the Cottonbelt claims with CMT Natural Resource Acquisitions Ltd. The Option Agreement is expected to span a three year period whereby all exploratory and development costs will be borne by Master-Plan Mineral & Petroleum Developers Corporation.

The Claims are located adjacent to mineral leases that have silver-lead-zinc showings that were originally worked in the 1920's. In 1926, Cottonbelt Mines Ltd. of Vancouver undertook an exploratory program that involved a trenching and diamond drilling program on Mount Grace. By 1927, there was a total underground development of approximately 500 meters. This was composed of shafts, drifts, crosscuts, and raises. In that same year government geologists suggested that the Cottonbelt properties may contain up to a million tons of ore. That figure cannot be substantiated until detailed studies are conducted.

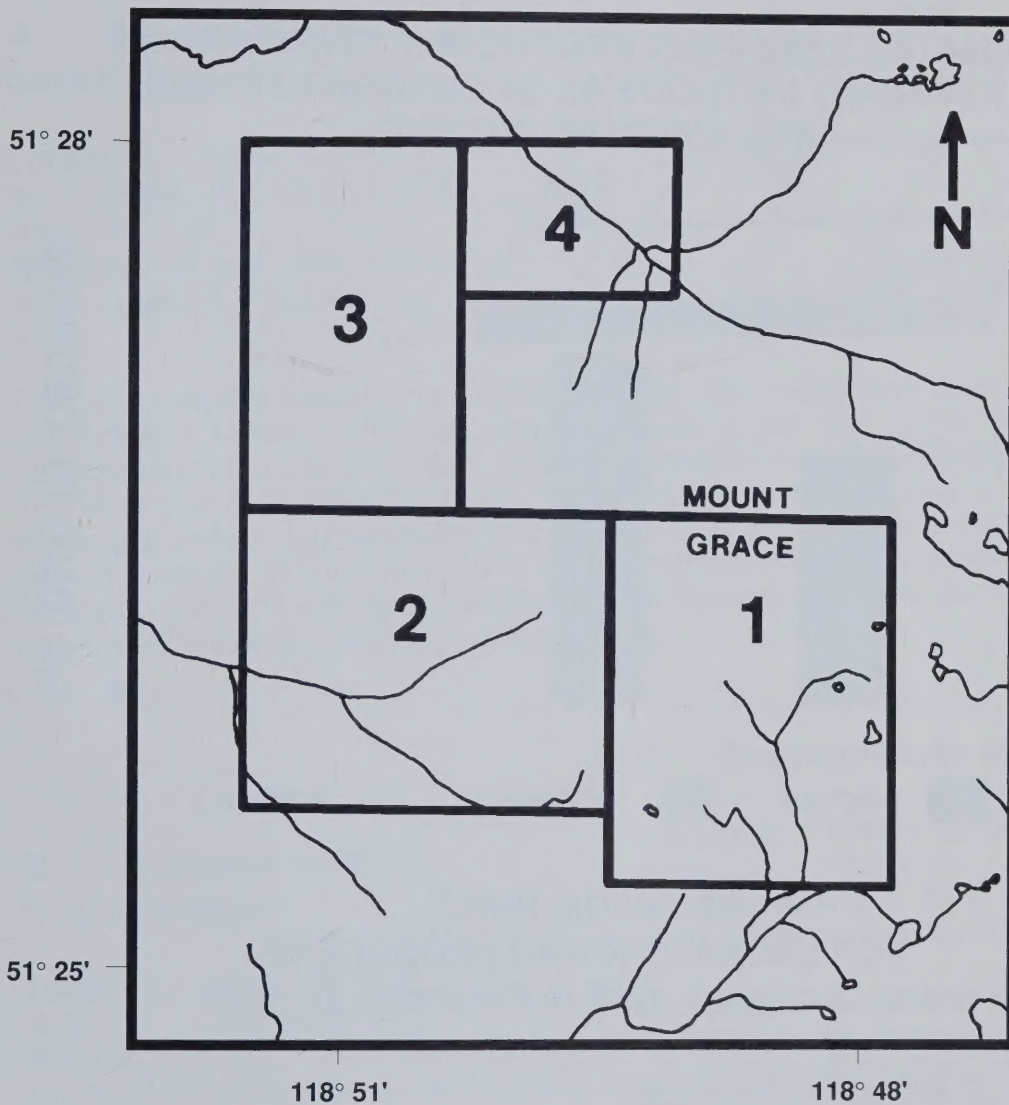
Very recent government studies of the Mount Grace area report the rock structure may contain commercial concentrations of alkali and rare earth elements. The studies describe the Mount Grace carbonatite as a laterally continuous marble layer that contains high accumulations of alkali earths, rare earths and metals such as barium, beryllium, gallium, manganese, niobium, strontium, yttrium,

ytterbium and zirconium. The primary interest in these elements is their potential use in superconductors. Many superconductor compounds involve the aforementioned elements found in the Mount Grace region. The investigation of superconductors is currently one of the hottest topics in many high technology research and development departments of major corporations, universities and government authorities. All major industrialized nations such as Japan, England, Germany and the U.S.A. are probing the development of superconductors.

The unique characteristic of superconductors is their ability to conduct electrical energy with little or no resistance. Presently conductors such as copper, steel and gold are subject to a 20% energy loss due to resistance (under normal operating conditions). Because of the principle behind superconductors, the commercial applications of superconductors would appear to be endless. Applications range from use in motors, power transmission, IC boards, computer chips, telecommunications, and anything which uses electrical current. As the development of the superconductors becomes more extensive, the demand for the rare and alkali earths will become progressively stronger. The relatively low operating costs for the processing of these rare and alkali earths combined with what may be a ready market could potentially make the Mount Grace deposits very valuable.

Renewed interest in base metals has also resulted in an increasing amount of activity in the Mount Grace area. An independent consultant reported the area to have a high potential for silver-lead-zinc deposits. These encouraging facts warrant further studies, which are planned to commence in the near future.

THE COTTONBELT CLAIMS



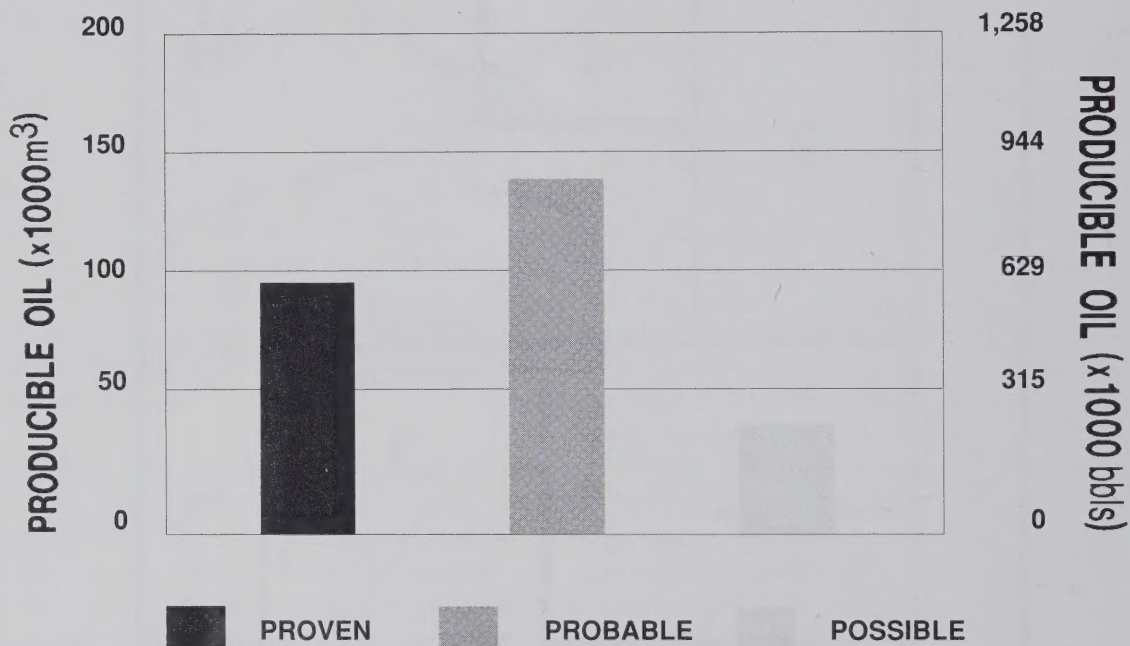
SCALE 1:50,000

0 1000 2000 Meters

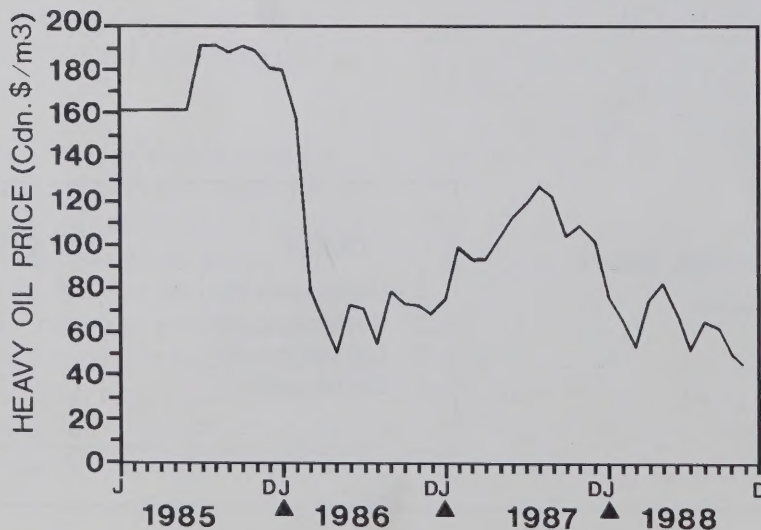
CLAIM	RECORD NUMBER
1 - Cottonbelt #1	7962
2 - Cottonbelt #2	7963
3 - Cottonbelt #3	7964
4 - Cottonbelt #4	7965

ESTIMATED OIL RESERVES

ESTIMATED REMAINING PRODUCIBLE OIL RESERVES BY PRIMARY METHODS AS OF OCTOBER 31, 1988 (CML'S WORKING INTEREST)



HEAVY OIL PRICE FOR SASKATCHEWAN PRODUCERS from: January 1, 1985 to December 31, 1988



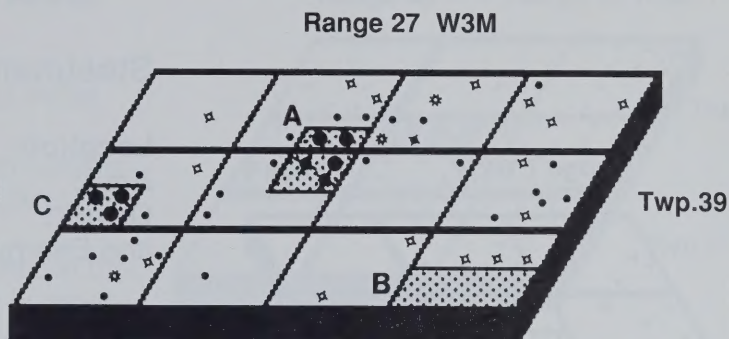
EXPLORATION, DEVELOPMENT & PRODUCTION

A. Evesham Area #1, Saskatchewan

Location: LSD's 1 & 2 of 34
39-27-W3M and NE1/4-27-39-27-W3M

Area: 240 Acres

Working Interest: 25% Chipman Mining and Energy Corporation Ltd., (CML)



CML acquired this lease in the summer of 1984. Five wells have been drilled on this lease over its history. Well 9-27 was abandoned in late 1986, while 15-27 was abandoned during this past year. Total oil production from this lease has reached 15,099 m3, as of October 31, 1988. This production is second only to the Maidstone Lease. It is estimated that there is 20,525 m3 of remaining producible proven reserves, in addition to 7,713 m3 of probable producible reserves. A 1984 farmout agreement with New Campbell Island Mines Limited has permitted CML to retain a 25% Working Interest in this property.

B. Evesham Area #2, Saskatchewan

Location: S1/2 -24-39-27-W3M

Area: 320 Acres

Working Interest: 25% Chipman Mining and Energy Corporation Ltd., (CML)

Chipman Mining and Energy Corporation Ltd. acquired this lease in the fall of 1984. There is an estimated 72,632 m3 of probable producible reserves within this lease. Although no wells have yet been drilled on this lease, an exploration program is in the plan for the near future. A 1987 farmout option agreement with Winetou International Minerals Incorporated would permit CML to retain a 25% Working Interest in this property.

C. Evesham Area #3, Sask.

Location: SW1/4 -28-39-27-W3M

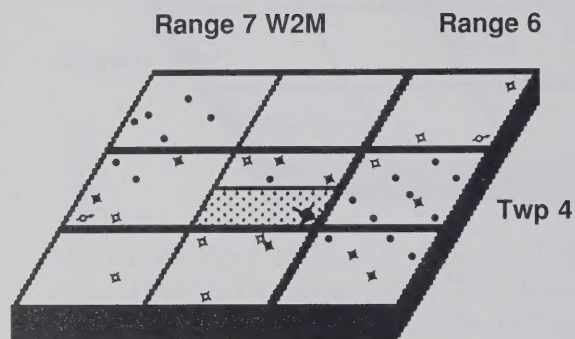
Area: 160 Acres

Working Interest: 25% Chipman Mining and Energy Corporation Ltd., (CML)

This lease was acquired by CML in the fall of 1984. During the past summer a third oil well, A5-28-39-27-W3M was drilled on this lease. Completion and development of this well awaits further studies. All development costs were borne by New Campbell Island Mines Limited. Total oil production from this lease has reached 6,921 m3 as of October 31, 1988. It is estimated that there remains 21,458 m3 of producible proven reserves by primary methods, in addition to 15,744 m3 of probable producible reserves by primary methods. Chipman Mining and Energy Corporation Ltd. has a 25% Working Interest in this property.

EXPLORATION, DEVELOPMENT & PRODUCTION

Steelman Area #1, Saskatchewan

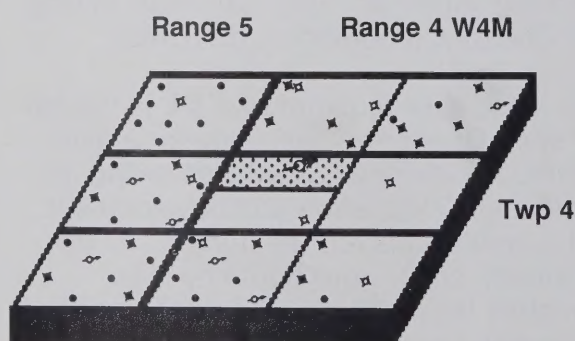


Location: S1/2 -24-04-07-W2M
Area: 320 Acres
Owner: 100% Chipman Mining and Energy Corporation Ltd., (CML)

This lease was acquired in December of 1983. A 1987 farmout option agreement with Winetou International Minerals Incorporated would permit CML to retain a 25% Working Interest in this property. The lease is subject to a 1% gross overriding royalty.

A well drilled in November of 1967 produced 1,221 m3 of oil. It is estimated that the remaining total proven and probable reserves producible by primary methods is 26,595 m3. The Company is anxiously awaiting a stronger oil price in order to develop this lease.

Steelman Area #2, Saskatchewan



Location: N1/2 -18-04-04-W2M
Area: 320 Acres
Owner: 100% Chipman Mining and Energy Corporation Ltd., (CML)

The lease was acquired in March of 1984. A farmout option agreement was negotiated in 1987 whereby all exploration and development costs would be undertaken by Winetou International Minerals Incorporated. This would permit

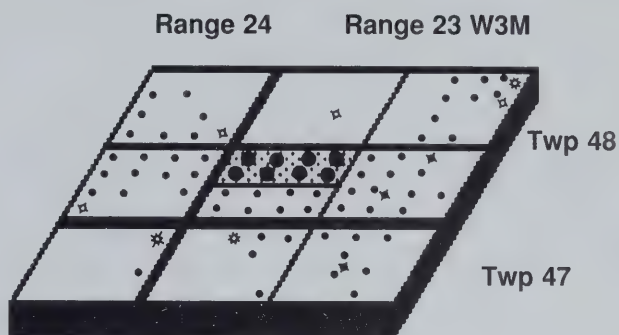
Chipman Mining and Energy Corporation Ltd. to retain a 25% Working Interest in the property. The property is subject to a 1% gross overriding royalty. An injection well 15-18-4-4-W2M was drilled on this lease in 1966. It is estimated that the total probable recoverable reserves by primary methods is 26,595 m3.

EXPLORATION, DEVELOPMENT & PRODUCTION

Maidstone (Golden Lake) Area, Saskatchewan

Location: N1/2 -06-48-23-W3M
Area: 320 Acres
Owner: 100% Chipman Mining and Energy Corporation Ltd., (CML)

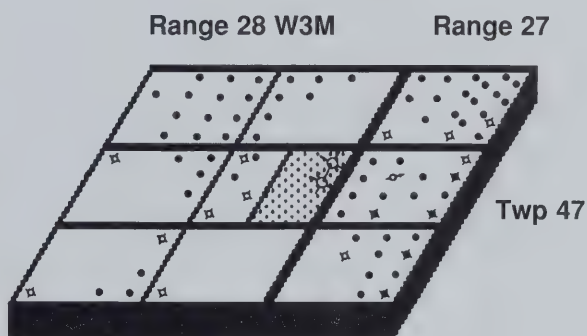
The lease was purchased by CML in the spring of 1979. The property is operated by the Company. This lease has been the most productive property for CML. Wells on the property have been on production since 1979. Oil production reached a total of 31,525 m3 as of October 31, 1988. It is estimated that there is 84,130 m3 of remaining proven reserves producible by primary methods.



Epping Area, Saskatchewan

Location: E1/2 -12-47-28-W3M
Area: 320 Acres
Owner: 100% Chipman Mining and Energy Corporation Ltd., (CML)

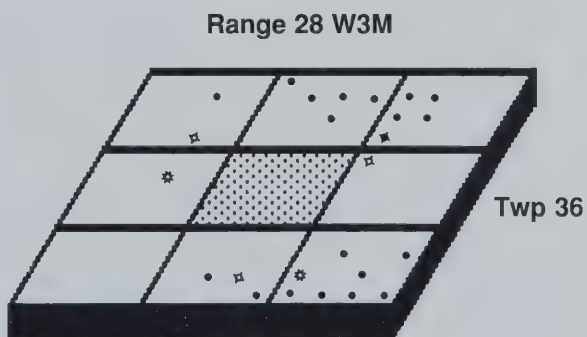
CML acquired this lease in mid 1984. A 1987 farmout option agreement would provide Winetou International Minerals Incorporated (the Farmee) with a 66% Working Interest. CML (the Farmor) would retain a 34% Working Interest in this lease. The total possible producible reserves by primary methods is approximately 105,065 m3.



Cactus Lake Area, Saskatchewan

Location: 10-36-28-W3M
Area: 640 Acres
Owner: 100% Chipman Mining and Energy Corporation Ltd., (CML)

This lease was acquired in mid 1984. In 1987 this lease was farmed out to Winetou International Minerals Incorporated (the Farmee). This option agreement ensures the Farmee with a 75% Working Interest, while CML (the Farmor) would retain a 25% Working Interest. It is estimated that there is a total 387,063 m3 of possible reserves producible by primary methods within this property.

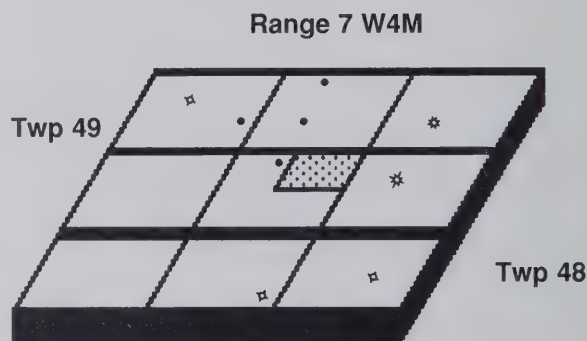


EXPLORATION, DEVELOPMENT & PRODUCTION

Wildmere Area, Alberta

Location: NE1/4 -02-49-07-W4M
Area: 160 Acres
Owner: 100% Chipman Mining and Energy Corporation Ltd., (CML)

This lease was acquired in early 1986 by Chipman Mining and Energy Corporation Ltd. A farmout option agreement was signed between the CML (the Farmor) and Winetou International Minerals Incorporated (the Farmee). This agreement would provide the Farmee with a 75% Working Interest, while the Farmor would retain a 25% Working Interest. Successful wells lie due west and northwest of the area and the total probable reserves recoverable by primary methods has been estimated at 28,30 m3.



LEGEND FOR PETROLEUM PROPERTY MAPS

- | | |
|-------------------|----------------------------|
| ○ Location | ✦ Abandoned Oil Well |
| • Oil Well | ✱ Abandoned Oil & Gas Well |
| ✱ Gas Well | ✶ Service Well |
| * Oil & Gas Well | ✱ Suspended Gas Well |
| ✧ Dry & Abandoned | ✧ Injection Well |



Chipman Mining and Energy
Corporation Ltd. owned Leases

AUDITORS' REPORT

To the Shareholders of
Chipman Mining and Energy Corporation Ltd.

We have examined the consolidated balance sheet of Chipman Mining and Energy Corporation Ltd. as at October 31, 1988 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at October 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta,
December 9, 1988.

Pennell Kerr Mac Gillivray

Chartered Accountants

CHIPMAN MINING AND ENERGY CORPORATION LTD.

CONSOLIDATED BALANCE SHEET

OCTOBER 31, 1988

	<u>1988</u>	<u>1987</u>
ASSETS		
CURRENT		
Cash	\$ 6,278	\$ 10,562
Accounts receivable (Note 2)	42,351	30,198
Inventory	12,568	19,743
Deposits	13,500	15,000
Prepaid expenses	17,763	21,046
	<u>92,460</u>	<u>96,549</u>
RESOURCE AND OTHER EQUIPMENT (Note 3)	11,644	17,607
RESOURCE PROPERTIES (Note 4)	667,111	709,730
	<u>\$ 771,215</u>	<u>\$ 823,886</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 246,512	\$ 210,769
Royalties payable	384	1,564
11% loan payable, unsecured	75,000	75,000
	<u>321,896</u>	<u>287,333</u>
DEFERRED INCOME TAXES	34,755	82,210
	<u>356,651</u>	<u>369,543</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)	2,026,831	1,984,681
CONTRIBUTED SURPLUS	17,559	17,559
DEFICIT	(1,629,826)	(1,547,897)
	<u>414,564</u>	<u>453,343</u>
	<u>\$ 771,215</u>	<u>\$ 823,886</u>

Approved on behalf of the Board

Director

Lara M. Tink

Director

[Signature]

Pannell
Kerr
MacGillivray

CHIPMAN MINING AND ENERGY CORPORATION LTD.

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

FOR THE YEAR ENDED OCTOBER 31, 1988

	<u>1988</u>	<u>1987</u>
REVENUE		
Production income	\$ 148,586	\$ 274,330
Royalties	(14,214)	(32,979)
	<u>134,372</u>	<u>241,351</u>
Gain (loss) on foreign exchange	2,461	(168)
Other	9,014	-
	<u>145,847</u>	<u>241,183</u>
EXPENSES		
Production	106,611	99,677
General and administrative		
- consulting and professional fees	76,600	52,470
- other	34,981	50,577
Interest	8,456	9,461
Depreciation and depletion	48,583	56,860
	<u>275,231</u>	<u>269,045</u>
OPERATING LOSS	(129,384)	(27,862)
WRITEDOWN OF RESOURCE PROPERTIES	-	(140,585)
LOSS BEFORE INCOME TAXES	(129,384)	(168,447)
INCOME TAXES (Note 7)		
Deferred recovery	47,455	3,790
NET LOSS	(81,929)	(164,657)
DEFICIT, beginning of year	(1,547,897)	(1,383,240)
DEFICIT, end of year	<u><u>\$(1,629,826)</u></u>	<u><u>\$(1,547,897)</u></u>

LOSS PER SHARE (Note 8)

CHIPMAN MINING AND ENERGY CORPORATION LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED OCTOBER 31, 1988

	<u>1988</u>	<u>1987</u>
OPERATING ACTIVITIES		
Net loss	\$(81,929)	\$(164,657)
Depreciation	5,963	8,427
Depletion	42,620	48,434
Deferred income taxes (recovery)	(47,455)	(3,790)
Changes in non-cash operating working capital (details below)	34,367	(16,185)
Writedown of resource properties	-	140,585
	<u>(46,434)</u>	<u>12,814</u>
FINANCING ACTIVITIES		
Proceeds from share issue	42,150	15,190
Net reduction in short-term borrowings	-	(20,000)
	<u>42,150</u>	<u>(4,810)</u>
(DECREASE) INCREASE IN CASH DURING THE YEAR	<u>(4,284)</u>	<u>8,004</u>
CASH, beginning of year	<u>10,562</u>	<u>2,558</u>
CASH, end of year	<u><u>\$ 6,278</u></u>	<u><u>\$ 10,562</u></u>
CHANGES IN NON-CASH OPERATING WORKING CAPITAL		
Accounts receivable	\$(12,153)	\$ 2,501
Inventory	7,175	(1,647)
Deposits	1,500	-
Prepaid expenses	3,283	494
Accounts payable and accrued liabilities	35,742	(19,099)
Royalties payable	(1,180)	1,564
	<u><u>\$ 34,367</u></u>	<u><u>\$ (16,185)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1988

1. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidated financial statements

The consolidated financial statements include the accounts of the company and its wholly owned foreign subsidiary, Cimarron Petroleum Corporation.

b) Inventory

Crude oil inventory is valued at net realizable value.

c) Resource and other equipment and depreciation

Resource and other equipment are recorded at cost.

Declining balance depreciation is applied to write-off the cost of resource and other equipment over their estimated lives at the annual rates of thirty percent and twenty percent respectively.

d) Resource properties and depletion

The Company follows the full cost method of accounting, under which all costs relating to the exploration for and development of oil and gas reserves are capitalized. Costs include lease acquisition costs, geological costs and costs of drilling both productive and non-productive wells. These costs are netted against proceeds from government incentives and minor disposals of property.

The Company depletes the costs of the properties, net of unproven properties, on the unit of production method based upon the total estimated proven reserves of oil and gas, as determined by the Company's engineers and independent consultants.

For purposes of determining that the economic value of the properties, net of unproved properties, at year end is not less than their carrying value, the Company estimates value based on future net revenues from proven reserves, as determined by the Company's engineers and independent consultants, less estimated general and administrative expenses, interest and income taxes. The Company used a price of \$68/m³ of oil in determining its gross revenues from proven reserves. The recovery test is performed on a country by country basis.

CHIPMAN MINING AND ENERGY CORPORATION LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1988

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Foreign currency translation

For the purpose of consolidation, the company has translated the accounts of its foreign subsidiary into Canadian dollars as follows:

- i) monetary assets and monetary liabilities at the year-end exchange rate;
- ii) non-monetary assets at the rate of exchange prevailing at the date of the transaction;
- iii) revenue and expenses at the average rate of exchange during the year, except for depreciation and depletion which are on the same basis as the related asset.

All translation gains or losses are included in the consolidated statement of loss.

f) Joint ventures

Substantially all exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only the proportionate interest in such activities.

2. ACCOUNTS RECEIVABLE	<u>1988</u>	<u>1987</u>
Trade	\$ 7,050	\$14,735
Affiliated companies	21,880	7,741
Shareholders	13,421	7,722
	<u>\$42,351</u>	<u>\$30,198</u>
3. RESOURCE AND OTHER EQUIPMENT	<u>1988</u>	<u>1987</u>
Resource equipment	\$324,183	\$324,183
Other equipment	17,558	17,558
	<u>341,741</u>	<u>341,741</u>
Accumulated depreciation	(330,097)	(324,134)
	<u>\$ 11,644</u>	<u>\$ 17,607</u>

CHIPMAN MINING AND ENERGY CORPORATION LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1988

4. RESOURCE PROPERTIES	<u>1988</u>	<u>1987</u>
Resource properties inclusive of exploration and development expenditures thereon	\$1,158,906	\$1,158,906
Accumulated depletion	(685,695)	(643,076)
	<u>473,211</u>	<u>515,830</u>
Unproven resource properties	193,900	193,900
	<u>\$ 667,111</u>	<u>\$ 709,730</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>1988</u>	<u>1987</u>
Trade	\$ 23,334	\$ 20,972
Affiliated companies	223,178	189,842
	<u>\$246,512</u>	<u>\$210,769</u>

6. CAPITAL STOCK	<u>1988</u>	<u>1987</u>
Authorized 5,000,000 common shares without par value		
Issued 4,099,160 common shares (1987 - 3,994,160)	<u>\$2,026,831</u>	<u>\$1,984,681</u>

During the year, the company issued common shares as follows:

	<u>1988</u>		<u>1987</u>	
	Shares	Consideration	Shares	Consideration
For cash pursuant to the company stock option plan	65,000	\$ 20,150	49,000	\$ 15,190
For cash	40,000	22,000	-	-
CAPITAL STOCK, beginning of year	<u>3,994,160</u>	<u>1,984,681</u>	<u>3,945,160</u>	<u>1,969,491</u>
CAPITAL STOCK, end of year	<u>4,099,160</u>	<u>\$2,026,831</u>	<u>3,994,160</u>	<u>\$1,984,681</u>

Pannell
Kerr
MacGillivray

CHIPMAN MINING AND ENERGY CORPORATION LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1988

6. CAPITAL STOCK (Continued)

a) Stock options

Stock options issued and outstanding, as at October 31, are as follows:

	<u>1988</u>		<u>1987</u>	
Date of expiry	Number	Price	Number	Price
<u>Company Stock Option Plan</u>				
May 1, 1989	<u>176,000</u>	\$.31	<u>241,000</u>	\$.31

b) Reserved capital stock (Note 9d)

7. INCOME TAXES

The income tax recovery of \$47,455 is different from the expected amount that is computed by applying a basic tax rate of 48% to earnings before tax. These differences result from the following items:

	<u>1988</u>	<u>1987</u>
Expected tax recovery	\$62,900	\$79,000
Deduct: Depletion and depreciation	(18,300)	(27,000)
Crown payments disallowed	(5,400)	(15,500)
Writedown of resource properties	-	(66,000)
Add: Resource allowance and tax depletion	2,900	31,000
Tax rate reductions	-	2,290
Other	5,355	-
	<u>\$47,455</u>	<u>\$ 3,790</u>

As at October 31, 1988 the Company has approximately \$411,000 (1987 - \$412,000) of deductible exploration and development expenses available to be carried forward and applied to future years' taxable income.

CHIPMAN MINING AND ENERGY CORPORATION LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1988

8. LOSS PER SHARE

	<u>1988</u>	<u>1987</u>
Loss per share	2.02¢	4.17¢

Loss per share is calculated using the weighted average number of shares outstanding during the year.

9. RELATED PARTY TRANSACTIONS

- a) In the normal course of business the company engages the services of affiliated companies and shareholders to supply consulting services. Payment under various contracts were \$27,550 (1987 - \$49,192).
- b) The Company entered into a formal agreement, on certain some leases in its name, with a related company. The agreement entitles Chipman Mining and Energy Corporation Ltd. to earn a twenty-five percent working interest in the property without incurring any costs in the exploration, development and equipping of these wells.
- c) The Company paid \$12,000 (1987 - \$6,000) during the year in office rental charges to a related company.
- d) The Company entered into a formal agreement, on certain some mining claims, with a related company. The agreement entitles the Company to earn an eight percent working interest in the properties for a consideration of \$2,400 and 24,000 common shares. Additionally, the Company must incur expenditures of \$20,000 on or before November 23, 1988 on the optioned property. The option subsequently lapsed without any expenditures being incurred.

10. SEGMENTED INFORMATION

Information relating to the Company's operations by geographic segment for the year ended October 31, 1988 is summarized as follows:

	1988		
	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Petroleum and natural gas sales	\$ 148,586	\$ -	\$ 148,586
Income (loss) before income taxes	\$(140,390)	\$ 11,006	\$(129,384)
Total assets	\$ 827,363	(56,148)	\$ 771,215

CHIPMAN MINING AND ENERGY CORPORATION LTD.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 OCTOBER 31, 1988

10. SEGMENTED INFORMATION (Continued)

	1987		
	Canada	United States	Total
Petroleum and natural gas sales	\$ 274,330	\$ -	\$ 274,330
(Loss) before income taxes	\$ (23,867)	\$(144,580)	\$(168,447)
Total assets	\$ 925,621	\$(101,735)	\$ 823,886

CORPORATE AND GENERAL INFORMATION

BOARD OF DIRECTORS:

Clara M. Tirkanits, President, Chipman Mining and Energy Corporation Ltd.,
Calgary
Thomas A. Tirkanits, Chairman of the Board, Vice-President of New Campbell
Island Mines Limited, Calgary
James R. Percy, B.A., President, Alterwords Ltd., Toronto
Ervind Urbye, President, Samos Navigation Inc., Paris - France
Elisabeth T. Percy, B.A., M.B.A., Computer and Systems Consultant, Toronto

OFFICERS:

Thomas A. Tirkanits Chairman of the Board
Clara M. Tirkanits President
James R. Percy Vice President
Stephen G. Jenuth Secretary
Elisabeth T. Percy Assistant Secretary

OFFICE ADMINISTRATION:

Gary Woo, B.Sc., P.Eng. Manager, Engineering
Shank Makwana, B.Sc. Systems Analyst
Ajit D. Silas, B.Sc. Geologist
Michelle Diehl Accountant
Jenny Tran, Dipl. Program. Accounting Assistant

REGISTRAR AND TRANSFER AGENT:

Guaranty Trust Company, Suite 380 - Gulf Canada Square,
401 - 9th Avenue S.W., Calgary, Alberta T2P 3C5

BANKERS:

Toronto Dominion Bank, Commercial Banking Centre
Calgary Place 2, 340 - 5 Avenue S.W., Calgary, Alberta, T2P 2P6

AUDITORS:

Pannell, Kerr, MacGillivray, Chartered Accountants
Suite 1000, One Palliser Square
125 - 9th Avenue S.E.
Calgary, Alberta
T2P 0P6

LEGAL COUNSELS:

Ho MacNeil
310, 138 4th Avenue S.W.
Calgary, Alberta
T2G 4Z6

Pruitt, Gushee and Fletcher
Suite 1850
Beneficial Life Tower
Salt Lake City, Utah
U.S.A. 84111

Gagnon, de Billy, and Associates
Suite 1327, 2020 rue University
Montreal, Quebec H3A 2A5

STOCK EXCHANGE LISTING:

Alberta Stock Exchange, Calgary, Alberta; Trading Symbol "CML"

SUBSIDIARY COMPANY:

Cimarron Petroleum Corporation (Utah), 100% owned U.S. subsidiary

